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JUN 13 1963

COSTS and RETURNS



**Commercial
Wheat
Farms**

**Pacific Northwest
Northern Plains
Southern Plains**

1962

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, conducted under the general supervision of Wylie D. Goodsell, Farm Production Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

Publications in this series are:

- Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1962
- Costs and Returns, Commercial Corn Belt Farms, 1962
- Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1962
- Costs and Returns, Commercial Broiler Farms, Delmarva and Maine, 1962
- Costs and Returns, Commercial Cotton Farms, 1962
- Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1962
- Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1962
- Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1962
- Costs and Returns, Western Livestock Ranches, 1962

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1963. In this annual report, information is given for 1962 and comparisons with 1961 and 1960 and the period 1957-59.

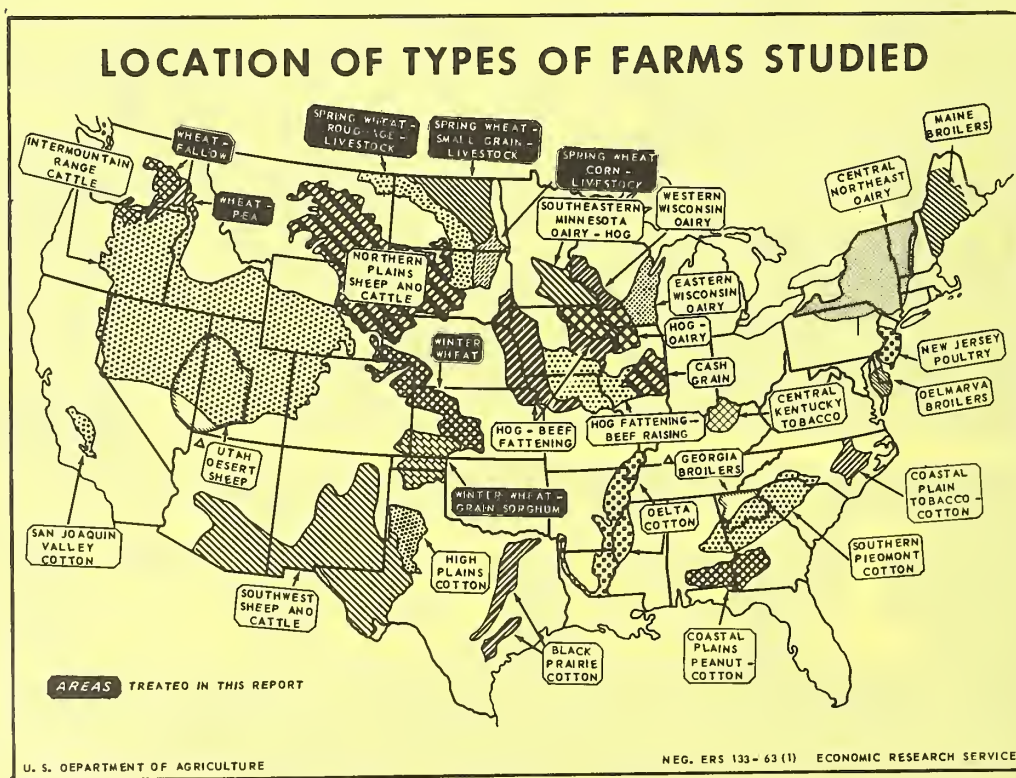


Figure 1

COSTS AND RETURNS COMMERCIAL WHEAT FARMS, PACIFIC NORTHWEST, NORTHERN PLAINS, AND SOUTHERN PLAINS 1962

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INTRODUCTION

The organization and costs and returns for 1961 and 1962 on typical wheat farms in three of the most important wheat-producing regions in the United States are presented in this report (fig. 1). In 1962, incomes on these farms varied from \$5,864 per farm on wheat-corn-livestock farms in the Northern Plains to \$17,714 on wheat-pea farms in the Pacific Northwest. Incomes in the Northern Plains and in the Pacific Northwest were substantially higher in 1962 than in 1961. Incomes in the Southern Plains were relatively good in 1962, although they averaged lower than in 1961 on wheat-grain sorghum farms. Net farm incomes in 1961 and 1962 were as follows:

	<u>1961</u>	<u>1962</u>
Pacific Northwest:		
Wheat-fallow farms	\$12,084	\$15,734
Wheat-pea farms.....	11,103	17,714
Northern Plains:		
Wheat-roughage-livestock farms.....	1,391	9,815
Wheat-small grain-livestock farms	135	11,081
Wheat-corn-livestock farms.....	5,307	5,864
Southern Plains:		
Wheat farms.....	10,693	11,260
Wheat-grain sorghum farms.....	13,400	10,729

PACIFIC NORTHWEST

Wheat-Fallow Farms

Net farm incomes on wheat-fallow farms were about 30 percent higher in 1962 than in 1961 (table 1) but about the same as the 1957-59 average. Incomes increased on these farms in 1962, despite a substantial decline in total acres harvested. The proportion of the cropland harvested

on these farms declined from 48 percent in 1961 to 41 percent in 1962. Most of this decline stemmed from participation in government acreage-allotment programs.

Crop yields on these farms in 1962 were up 28 percent over 1961. This rise more than offset the decline in acreage harvested, as production in

Table 1.- Organization, production, costs and returns, wheat farms, Pacific Northwest, 1961 and 1962

Item	Unit	Wheat-fallow farms		Wheat-pea farms	
		1961	1962 1/	1961	1962 1/
Gross farm income.....	Dollar	21,919	25,835	21,576	28,445
Total operating expenses.....	do.	9,835	10,101	10,473	10,731
Net farm income.....	do.	12,084	15,734	11,103	17,714
Total land in farm.....	Acre	1,368	1,400	585	595
Total cropland.....	do.	983	1,007	532	541
Cropland harvested.....	do.	476	411	395	378
Wheat.....	do.	320	270	174	153
Other small grains.....	do.	140	124	101	89
Hay.....	do.	16	17	22	19
Peas.....	do.	0	0	98	117
Inventory value, Jan. 1:					
Land value, per acre.....	Dollar	91	87	276	285
Machinery and equipment.....	do.	17,950	18,550	17,120	17,640
All cattle and calves.....	Number	31.7	33.0	16.0	16.0
Crop yields per harvested acre:					
Wheat.....	Bushel	24.8	35.9	35.8	55.2
Barley.....	Cwt.	16.6	18.0	20.5	22.6
Peas.....	do.	0	0	10.9	14.0
Prices received for products sold:					
Wheat, per bushel.....	Dollar	1.91	1.99	1.82	1.88
Barley, per ton.....	do.	42.00	40.00	39.00	40.00
Peas, per cwt.	do.	0	0	4.22	4.45
Steers and heifers, per cwt.	do.	21.80	23.50	21.70	23.20
Index numbers (1957-59=100):					
Crop yields per acre.....	---	82	105	80	115
Prices received for products sold.....	---	104	107	103	108
Prices paid, including wages to hired labor.....	---	104	106	101	104

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

1962 was 15 percent greater than in 1961.

Prices received for products sold averaged about 3 percent higher than in 1961. This increase and the increase in production largely accounted for the 18-percent increase in gross farm income.

Prices paid were about 2 percent higher than in 1961. Higher prices paid, combined with a slight increase in quantity of items used in production, resulted in a 3-percent increase in total farm operating expenses. Expenses per dollar of gross income decreased from 45 cents in 1961 to 39 cents in 1962. This decline, coupled with the increase in the volume of production, resulted in a 30-percent increase in net farm income.

Market prices of land were down slightly on January 1, 1962, compared with a year earlier. Perhaps this reflects the fact that net farm incomes were about 25 percent lower in 1960 and 1961 than in 1957-59.

Wheat-Pea Farms

Net incomes on wheat-pea farms in 1962 were record high, 60 percent higher than in 1961 (table 1) and 31 percent higher than in 1957-59. Crop yields per acre on these farms also were record high. They averaged 44 percent higher than in 1961 and 15 percent higher than in 1957-59. Wheat yields averaged 55 bushels per acre in 1962 and barley 22.6 hundredweight per acre. Pea yields per harvested acre in 1962 were 28 percent higher than in 1961 and 5 percent higher than in 1957-59. Such increases in yields were general throughout much of the Pacific Northwest.

Wheat-pea farms, like many other types of wheat farms, had a reduction in the number of acres harvested in 1962 compared with 1961. The percentage of the cropland harvested declined from 74 percent in 1961 to 70 percent in 1962. There also was a substantial shift in acreage of crops harvested between 1961 and 1962. Acres of peas harvested comprised 31 percent of the total acres harvested in 1962 and only 25 percent in 1961. Wheat comprised 40 percent of the acres harvested in 1962 and 44 percent in 1961. Total farm production was 26 percent higher in 1962 than in 1961 and 12 percent higher than in 1957-59. Prices received for products sold in 1962 were about 5 percent higher than a year earlier and 8 percent higher than in 1957-59. Gross farm income was up 32 percent from 1961.

Inputs used in production on these farms, exclusive of family labor and interest on capital, remained about the same in 1962 as in 1961. A decline in the use of insecticides in 1962 was offset by increases in other items used. Prices paid for production inputs increased about 3 percent in 1962, which resulted in a small increase in operating expenses. With gross income 32 percent larger in 1962 and farm expenses remaining unchanged, net income per dollar of expense rose from 51 cents in 1961 to 62 cents in 1962.

The trend in the market value of farm real estate has been upward on these farms since the end of the depression in the 1930's. Between January 1, 1961, and January 1, 1962, the estimated value of real estate on these farms increased from \$276 per acre to \$285, an increase of about 3 percent.

The physical quantity of farm machinery has not changed significantly

on these farms for several years. Changes in value of farm machinery per farm are largely the result of price changes. Motor vehicle prices in 1962 were about 5 percent higher and farm machinery 11 percent higher than in 1957-59.

NORTHERN PLAINS

Wheat-Roughage-Livestock Farms

Net farm income on typical wheat-roughage-livestock farms was at an all-time high in 1962. This record income was 7 times as large as that obtained in 1961 (table 2) and about 3 times as large as the 1957-59 average.

Crop yields in 1962 were nearly double those in 1957-59, and more than 3 times as high as in 1961. Approximately 79 percent of the cropland was harvested in 1962 and in 1957-59, but only 58 percent was harvested in 1961 because of a severe drought.

Net farm production also was record high in 1962 on these farms, 92 percent above the 1957-59 average and more than 3 times as large as in 1961.

The seasonal average price received for wheat sold on these farms in 1962, including an allowance for nonrecourse loans, was \$2.11 per bushel. This compares with a price of \$2.10 in 1961 and \$1.92 in 1957-59. Cattle were selling at somewhat higher prices in 1962 than in 1957-59. All other important commodities sold at lower prices in 1962 than in 1957-59.

The quantity of inputs used in 1962, exclusive of family labor and interest on capital, was only 1 percent

Cattle numbers on these farms have not changed since 1960. There is sufficient hay to support a larger cattle enterprise, and a slight increase in cattle numbers in 1963 is indicated.

higher than in 1957-59 but 11 percent higher than in 1961. Fewer inputs were used in 1961 because of a drought in the area that year. Prices paid for goods and services used in production were 5 percent higher in 1962 than in 1957-59 and 7 percent higher than in 1961. As a result of slightly more inputs and higher prices, total farm expenses were about 5 percent higher in 1962 than in 1957-59 and 17 percent higher than in 1961. Farm expenses comprised 34 percent of gross income in 1962 compared with 76 percent in 1961.

The market value of land on these farms continued upward and averaged about \$40 an acre on January 1, 1962, compared with \$29 on January 1, 1955. The average size of these farms increased from 770 acres to 830 during this period.

The physical quantity of farm machinery and equipment on these farms has declined since 1956. Prices paid for machinery and equipment items have tended to increase, largely offsetting the decline in physical quantity, but purchases have not been large enough to maintain inventory values.

Cattle numbers on these farms have tended to increase at a little faster rate than the increase in the size of farm. There were 5.1 head per 100 acres of total farmland in 1957-59 and 5.5 head per 100 acres in 1962.

Table 2.- Organization, production, costs and returns, wheat farms, Northern Plains, 1961 and 1962

Item	Unit	Wheat-roughage- livestock farms		Wheat-small grain- livestock farms		Wheat-corn- livestock farms	
		1961	1962 1/	1961	1962 1/	1961	1962 1/
Gross farm income.....	Dollar	5,783	14,946	5,695	17,226	10,103	10,621
Total operating expenses.....	do.	4,392	5,131	5,560	6,145	4,796	4,757
Net farm income.....	do.	1,391	9,815	135	11,081	5,307	5,864
Total land in farm.....	Acre	820	830	720	730	520	530
All cattle and calves.....	Number	46	46	24	24	49	52
Total farm capital, Jan. 1.....	Dollar	48,870	50,490	52,390	54,120	52,870	56,130
Land and buildings.....	do.	31,330	33,170	35,860	37,810	34,260	36,810
Machinery and equipment.....	do.	8,100	7,870	11,250	10,870	8,480	8,250
Livestock.....	do.	6,970	7,150	3,720	3,780	7,740	8,450
Crops.....	do.	2,470	2,300	1,560	1,660	2,390	2,620
Cropland harvested.....	Acre	306	422	288	368	327	285
All wheat.....	do.	102	100	127	127	69	55
Corn.....	do.	34	36	10	12	56	141
Flax.....	do.	26	50	28	44	25	25
Other small grains.....	do.	45	115	71	129	97	84
Crop yields per acre:							
All wheat.....	Bushel	8	26	9	31	16	22
Corn.....	do.	15	26	17	41	33	34
Flax.....	do.	3	13	4	13	8	11
Barley.....	do.	12	38	11	42	24	26
Prices received for products sold:							
Durum wheat, per bushel.....	Dollar	2.89	2.20	2.96	2.25	2.89	2.20
Other spring wheat, per bushel.....	do.	2.03	2.10	2.05	2.10	2.03	2.10
Flax, per bushel.....	do.	3.20	2.80	3.20	2.80	3.20	2.80
Cattle, per cwt.	do.	19.50	21.10	19.50	21.10	19.11	20.68
Index numbers (1957-59=100):							
Crop yields per acre.....	---	62	196	44	194	96	122
Prices received for products sold.....	---	110	93	123	100	104	104
Prices paid, including wages to hired labor.....	---	98	105	100	103	103	107

1/ Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Wheat-Small Grain-Livestock Farms

Net incomes on wheat-small grain-livestock farms were record high in 1962 and averaged about \$11,080 per farm (table 2). They were about 2.5 times higher than the 1957-59 average. This area was plagued by a very severe drought in 1961, which resulted in the lowest net income per farm since 1937. Comparisons between 1962 and 1961 on these farms involve comparing the best year on record with one of the worst. A comparison of the 1961-62 average with the 1957-59 average might be more meaningful. On this basis, income per farm averaged 27 percent higher in 1961-62 than in 1957-59.

Per-acre crop yields in 1962 were record high and nearly double the 1957-59 average.

Cropland harvested in 1962 amounted to 63 percent of the total cropland on these farms compared with 71 percent in 1957-59 and 50 percent in 1961. Much of the wheat crop failed in 1961 as a result of the drought. The acreage harvested in 1962 was reduced somewhat by farmer participation in Government acreage-allotment programs.

Record-high production on these farms in 1962 was 94 percent higher than in 1957-59. Prices in 1962 averaged about the same as in 1957-59. The price of wheat was about 11 percent higher, but prices of most other commodities were lower. With prices received averaging about the same in 1962 as in 1957-59, gross income, like production, was at an all-time high.

Total inputs (all items used in production except family labor and capital) were about 1 percent higher

in 1962 than in 1957-59. The number of acres per farm increased 3.5 percent during this period, so the quantity of inputs used per acre was slightly less in 1962 than in 1957-59. Between 1957-59 and 1962, prices paid for goods and services increased about 3 percent and total farm expenses 5 percent. Farm expenses amounted to 36 percent of gross income in 1962 and 57 percent in 1957-59. During the past 4 years, purchases of machinery and equipment by these farmers have not been sufficient to offset normal depreciation.

Wheat-Corn-Livestock Farms

Net farm incomes on typical wheat-corn-livestock farms in 1962 were 10 percent higher than in 1961 (table 2) and 16 percent above the 1957-59 average. This increase was accomplished despite 13 percent fewer acres of cropland harvested in 1962 than in 1961 and 16 percent fewer than in 1957-59. The unusually low percentage of cropland harvested on these farms in 1962 was due primarily to heavy rains and floods, which prevented the planting of thousands of acres.

Crop yields in 1962 were unusually high on land that was not affected materially by the spring floods. For the area as a whole, yields in 1962 were the second highest on record, exceeded only in 1958. In 1962, they averaged 27 percent above 1961 and 22 percent above 1957-59. But the unusually high yields in 1962 were largely offset by the reduction in harvested acres. Production in 1962 averaged 6 percent above 1961 and only 1 percent above 1957-59. Prices received for products sold in 1962 and in 1961 were 4 percent higher than in 1957-59. Gross income in 1962 was 5 percent higher than in

1961 and 8 percent higher than in 1957-59.

The quantity of goods and services used in production on these farms, excluding family labor and charge for capital, has gradually decreased since 1955. Production inputs used in 1962 were 4 percent lower than in 1961 and 6 percent lower than in 1957-59. The amount of labor hired has decreased since 1950, despite an increase in size of farm. Following World War II, there was a wave of farm machinery buying on these farms, which reached a crest in 1952. With few exceptions, purchases of new machinery have not been sufficient to offset normal depreciation since then.

Prices paid for goods and services used in production averaged 4 percent higher in 1962 than in 1961 and 7 percent higher than in 1957-59. These increases, however, were largely offset by decreases in the

quantities purchased. Total farm operating expenses in 1962 were not significantly different than those in 1961 and 1957-59. Farm operating expenses comprised about the same percentage of gross income in 1962, 1961, and 1957-59.

From 1950 to 1962, the market price of land increased from \$40 per acre to \$70 and the average size of farm increased from 468 acres to 530. This has meant a doubling of investment value of real estate per farm.

Cattle numbers on these farms have increased at a slightly greater rate than the increase in the size of farm. The typical wheat-corn-livestock farms had 9.1 head of cattle per 100 acres of farmland in 1957-59, 9.4 in 1961, and 9.8 in 1962. While total cattle numbers have been increasing on these farms since 1955, cows and heifers kept for milk have been decreasing.

SOUTHERN PLAINS

Wheat Farms

In 1962, net farm incomes on typical wheat farms in the Southern Plains averaged 5 percent more than in 1961 (table 3) and nearly 24 percent more than in 1957-59. Incomes on these farms have been maintained or increased since 1958, despite the removal of much cropland from production. The percent of cropland harvested has declined continuously from 69 percent in 1958 to 55 percent in 1962. This reduction is largely the result of the Soil Bank, Wheat Allotment, and Feed Grain Programs.

The index of crop yields in 1962 was 3 percent higher than in 1961 and 25 percent higher than the 1957-

59 average. Part of the increase in yields since 1957-59 has been the result of taking low-yielding land out of production. Production per farm has tended to increase since 1957-59, but not as much as the crop yield index.

Prices received for products sold in 1962 averaged about 8 percent higher than in 1961 and 10 percent higher than in 1957-59. Wheat sold for \$2.00 per bushel in 1962 compared with \$1.79 in 1961. Grain sorghum and livestock were priced a little lower in 1962 than a year earlier.

Cattle numbers averaged about 57 head per farm in 1962, up 14 percent from 1961 and 45 percent from

Table 3.- Organization, production, costs and returns, wheat farms, Southern Plains, 1961 and 1962

Item	Unit	Wheat farms			Wheat-grain sorghum farms		
		1961		1962 1/	1961		1962 1/
		:	:		:	:	:
Gross farm income.....	Dollar	17,152	17,903		23,545		21,173
Total operating expenses.....	do.	6,459	6,643		10,145		10,444
Net farm income.....	do.	10,693	11,260		13,400		10,729
Total land in farm.....	Acre	787	800		869		879
Total cropland.....	do.	591	601		669		677
Cropland harvested.....	do.	356	333		401		367
Wheat.....	do.	238	215		283		245
Grain sorghum.....	do.	52	51		75		77
Other grains.....	do.	28	23		22		18
Forage sorghum and hay.....	do.	38	44		21		27
Inventory value, Jan. 1:							
Land value, per acre.....	Dollar	99	104		106		111
Machinery and equipment.....	do.	10,180	10,580		9,980		10,600
All cattle and calves.....	Number	49.7	56.7		53.7		67.3
Crop yields per harvested acre:							
Wheat.....	Bushel	23.7	24.2		28.8		21.6
Grain sorghum.....	Cwt.	18.5	20.8		21.0		15.0
Forage sorghum.....	Ton	3.0	3.4		2.3		4.0
Prices received for products sold:							
Wheat, per bushel.....	Dollar	1.79	2.00		1.81		2.00
Grain sorghum, per cwt.	do.	1.71	1.68		1.71		1.68
Cattle, per cwt.	do.	20.70	19.97		2/ 23.30		2/ 23.40
Index numbers (1957-59=100):							
Crop yields per acre.....	---	121	125		140		124
Prices received for products sold.....	---	102	110		101		107
Prices paid, including wages to hired labor.....	---	105	105		104		104

1/ Preliminary. 2/ Steers and heifers only.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

1957-59. The cattle enterprise contributed about 24 percent of the cash receipts in 1962 compared with 19 percent in 1957-59.

The market value of farm real estate on these farms, as of January 1, 1962, was estimated at \$104 per acre. This is 5 percent higher than in 1961 and 13 percent higher than in 1957-59.

Wheat-Grain Sorghum Farms¹

Net farm incomes on wheat-grain sorghum farms in 1962 averaged about 20 percent lower than in 1961 (table 3) but were 56 percent higher than the 1957-59 average.

Crop yields in 1962 averaged 17 percent below the record established in 1960. Wheat per harvested acre averaged 30 percent lower in 1962 than in 1960. However this reduction was partially offset by higher yields of sorghum. Relatively more sorghum than wheat is irrigated. Most sorghum now is being produced from hybrid seed, which also contributes to higher yields.

¹The farm organization and the costs and returns on wheat-grain sorghum farms as reported in this series have been revised back to 1949. The estimates as reported here are not comparable in all respects with those published in former years. The series, as revised, reports 16 percent of the harvested acreage irrigated, whereas previous estimates reported no irrigation. The revised series has 16 percent more acres per farm and the total number of all cattle is increased by 25 percent, mostly because of an increase in purchases of calves.

The proportion of total cropland harvested declined in 1961 and 1962. In 1962, 54 percent of the cropland was harvested compared with 60 percent in 1961 and 65 percent in 1960. This decline occurred because of participation in the Feed Grain Program. The Wheat Allotment—Marketing Quota Program and crop failure on nonirrigated land also contributed.

Net production on these farms in 1962 was 19 percent lower than in 1961 but 24 percent higher than in 1957-59. Prices received for products sold averaged 6 percent higher than in 1961 and 7 percent higher than in 1957-59.

The total quantity of all goods and services used in production, excluding family labor and interest on farm capital, has increased each year since 1957. The quantity of these inputs used in 1962 was 40 percent higher than in 1957-59. Prices paid for these items in 1962 and in 1961 averaged 4 percent higher than in 1957-59.

The market value of farmland has continued to increase on these farms. In 1956, it averaged \$76 per acre compared with \$111 in 1962. The value of real estate improvements during this period, based on current costs less depreciation, increased only about \$4 per acre. The increasing value attached to land must therefore be largely independent of the costs of improvements.

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